



# **User's Manual**

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## **What is Budget21.com**

Budget21.com is a Web Application intended for the planning, budgeting and financial simulation of business activities. This service enables a business manager to prepare budgets or a complete Business Plan consisting of a strategy and financial projections. Budget21.com is a universal planning and budgeting application, which is suitable for nearly all businesses. Planning is possible by months and halfyears; a complete business plan is generated for a period of up to five years.

Budget21.com is also a financial model, which enables a decision maker to play through the risks and opportunities that can have an effect on the economic activities of the company. Sales budgets and budgets for operating expenses can be prepared for planning periods.

The business service can be used directly on the Internet, using an ordinary Web browser. No software will be installed in the computer of the user. Budget21.com can be accessed from any computer connected to the Internet. Subscribed users can access the application with their personal user name and password. Free trial of the service is available.

A user can save (the SAVE function) the business plans and budgets prepared with Budget21.com in order to use them again later (the OPEN function). The SUPPORT function is available for users to provide tips and help.

The Budget21.com application consists of seven modules:

### **Setup**

In this module, the user gives a Name to the current case, specifies the starting time (month, year) of the plan and enters certain general parameters like Cost of Equity, Tax Rate and Cost of Debt.

### **Strategy**

In the Strategy module, the user enters the text parts of the business plan, such as Executive Summary, Products & Services, Customers, Marketing Strategy etc – up to seven chapters. The user is free to choose any headings and contents for the chapters. The texts entered will be automatically included in the complete business plan.

### **Revenues**

In the Revenues module, the user enters the sales items of the company, i.e. the products, services or product groups, their revenue projections and average gross margins, also the indicators influencing cash flows.

Budget21.com enables the user to compile very different revenue patterns which are as close as possible to the actual ones. Temporary revenues, such as single transactions or seasonal sales (Christmas sales, summer sales etc.) can be planned.

### **Expenses**

In this module, the operating expenses of the company are planned, such as payroll, marketing expenses, rent etc. The user is free to design any specification of expenses; the start-up period of the expense, its change in time, duration of the expense and average payment period are set in advance. In addition, variable expenses related to sales revenue or gross profit can be planned, such as commissions, franchise fees, sales bonuses etc. Also temporary expenses, such as foundation expenses of the company, advertising campaigns, construction and renovation expenses etc. can be planned.

### **Assets**

In this module, budget for capital expenditures is prepared: land, machinery and equipment, computers, vehicles etc. The time of acquisition of the capital asset, acquisition value and the useful life have to be specified first, also the form of financing: payment in cash or in the form of capital lease.

### **Finance**

In the finance module, financing of the company is planned: loan agreements, also transactions that increase or decrease equity. With respect to borrowing, the time of receiving funds and the conditions of repayment can be set in advance: deferment period, repayment period, repayment type (annuity or fixed principal). Equity, for instance, is increased by the payments of owners for shares (capital input) and decreased by dividend payments.

### **Reports**

This module is the main output of the Budget21.com planning and budgeting application. Here the user can choose between different reports: Income Statements, Balance Sheets, Cash Flows, Sales Budgets, Operating Expenses.

For the assessment of the profitability of the company, ROA, ROE, EVA and other indicators are calculated for each period. Reports and graphs can be generated by months or years (up to five). It is also possible to select starting from which periods financial projections and budgets are displayed.

The complete business plan can be displayed on the screen with the function “*Open Business Plan*”. It can be printed out, saved or exported to a word processor.

## **General Functions**

### **Working with worksheets**

Data can be entered in Budget21.com through worksheets and combo boxes. User inputs are posted by clicking the button OK. When moving to another module the inputs are posted automatically.

In order to add rows or reduce their number, enter the desired number of rows in the *Rows* cell and click OK.

To clear an entire row of data, clear first the data from the extreme left cell and click OK.

The button *Clear* commits the clearing of the entire visible worksheet of data and restores the default settings.

### **Input of numbers**

When entering numbers, it is not allowed to use spaces as 1000-separators, for instance it is not allowed to write "1 000 000". Commas can be used as 1000-separators, e.g. "1,000,000". Decimals have to be separated with a point, e.g. "10.5".

### **Saving and opening of a case**

To save a case, click SAVE; to load a saved case, click OPEN.

Save, if you have finished your work or if you want to keep a suitable working version to stimulate other alternatives. It is generally advisable to save also regularly, e.g. every 10 minutes, in order to avoid losing the work done due to an unexpected technical problems.

The data are securely saved in the database of our Web server. As Budget21.com is a Web-based application, the saved case can be opened from anywhere, from any computer connected to the Internet.

The function *Take a Sample..* in the SETUP module opens a sample case. It can be modified and saved under your name.

### **Client Support**

The SUPPORT function is intended for helping the user. When you click the SUPPORT button, a textbox opens through which you can send your question or comment. The reply will come by e-mail.

The Help function opens the online help file in the new browser window.

## **User contact information**

When you click your name (at the right corner of the header), a form will open where the user can change his contact information, also the user name and password.  
NB! User name has to be unique.

## **How to start**

In the SETUP module, the user will give a name to the plan he is working with, set the starting time of the plan and enter certain general parameters. It is also possible to open a sample case here.

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GEORGE BUSH

**SETUP** STRATEGY REVENUES EXPENCES ASSETS FINANCE REPORTS

Plan Name Bush Corporation

Starting Time Jul 2002

Cost of Equity 20 %

Tax Rate 20 %

Cost of Debt 8 %

Show Graphs ☒

OK Clear

Budget21.com is a web-based software service for Budgeting, Forecasting, Simulation and Business Planning.

[Load a Sample..](#)

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- 
- |                       |  |
|-----------------------|--|
| <b>Plan Name</b>      | Give your plan a name. This name will also be the heading of the complete business plan.   |
| <b>Starting Time</b>  | Enter the month and the year that you regard as the starting time for the plan. The system will calculate results starting from that period. NB! The transactions that have an earlier start-up time than the plans starting time of the plan will be ignored. |
| <b>Cost of Equity</b> | The cost to the company of employing shareholders' funds, developed from the investors' expectations about the return from holding such shares.  |
| <b>Tax Rate</b>       | Corporate Income Tax Rate. Will be taken into account monthly both in the Income Statement and as an outflow in the Cash Flows Statement.  |
| <b>Cost of Debt</b>   | The cost to the company of employing debt, stated as the average interest rate. This indicator is taking into account in the handling of all loans and capital leases.   |
-

**Show Graphs** Can be turned off in all modules that show graphs. It accelerates the work of the application in case of slow or congested Internet connection.

**Load a Sample..** A sample case is opened. The sample can be modified and saved.

Enter the economic forecasts and parameters in the modules REVENUES, EXPENSES, ASSETS and FINANCE. Any change entered in any module has an immediate effect on the results of the entire plan.

The REPORTS module is the output of the application, it enables the user to view financial projections, budgets and the complete business plan.

### **Planning for an ongoing business**

In case of an ongoing business, first the **starting balance** has to be set up. NB! Budget21.com has no separate worksheet for setting up the starting balance, we use the first planning period for that.

If, for instance, you have to prepare a business plan for which the financial projections have to start from January next year, follow the steps below:

1. In the SETUP module, select December of this year as the Starting Time for the business plan, i.e. the period immediately preceding the first month of the financial projections of the plan (which was January).
2. In the REVENUES and EXPENSES module, enter the current revenues and expenses starting from December. This will include in the financial engine the starting balances reflecting the working capital.
3. In the ASSETS module, enter the net book value of fixed assets at the disposal of the company, indicating their acquisition in December. If there are any obligations from effective lease agreements, indicate the number of years left till the end of the agreement. To enable the system to include monthly lease payments more accurately, indicate the debt balance related to the lease agreement in the cell "Value".
4. In the FINANCE module:
  - in case of borrowings enter the respective debt balances in the LOAN AGREEMENTS table, indicating as if the funds had come in in December; enter also the terms and conditions of deferment period and repayment period, counting them also from December;
  - enter the amount of Equity of the company in the EQUITY INFLOW table, indicating it as received in December (you can make a separate entry for it, naming it for instance "Starting Equity").
5. In the REPORTS module, select the display of projections from the 2. month (*Show reports from 2 month*). Now all financial projections of the plan will be displayed starting from January, as required.

So we have used one period (December) for setting up the starting balance, in order to show the financial projections of the plan from the period following it (January).

## Strategy

In the STRATEGY module, the user will create text parts of the business plan, i.e. the chapters describing Products and Services, Market strategy, Competition etc. of the company. The user is free to choose headings for the chapters, the volume of their contents is limited to 2000 characters.

Only the chapters with headings will be included in the complete business plan. The maximum number of chapters is 7.

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**BUDGET21.COM** OPEN SAVE ?HELP SUPPORT !ABOUT SUBSCRIBE EXIT  
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SETUP **STRATEGY** REVENUES EXPENCES ASSETS FINANCE REPORTS

Chapter Headers:

Executive Summary >>  
Strategic Position >>  
Market Strategy >>  
Competition >>  
Organization >>  
>>  
>>


Enter text here

Max 2000 chr

OK Clear

Enter the headings of chapters in the left column of the module. If you wish to limit the number of chapters, clear the heading cell of the content and click OK.

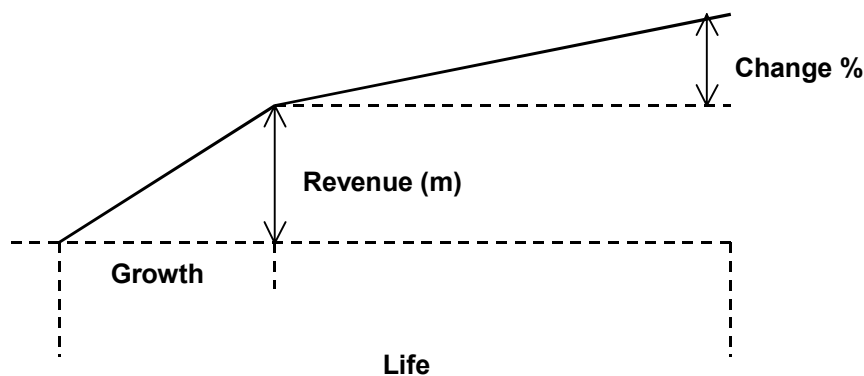
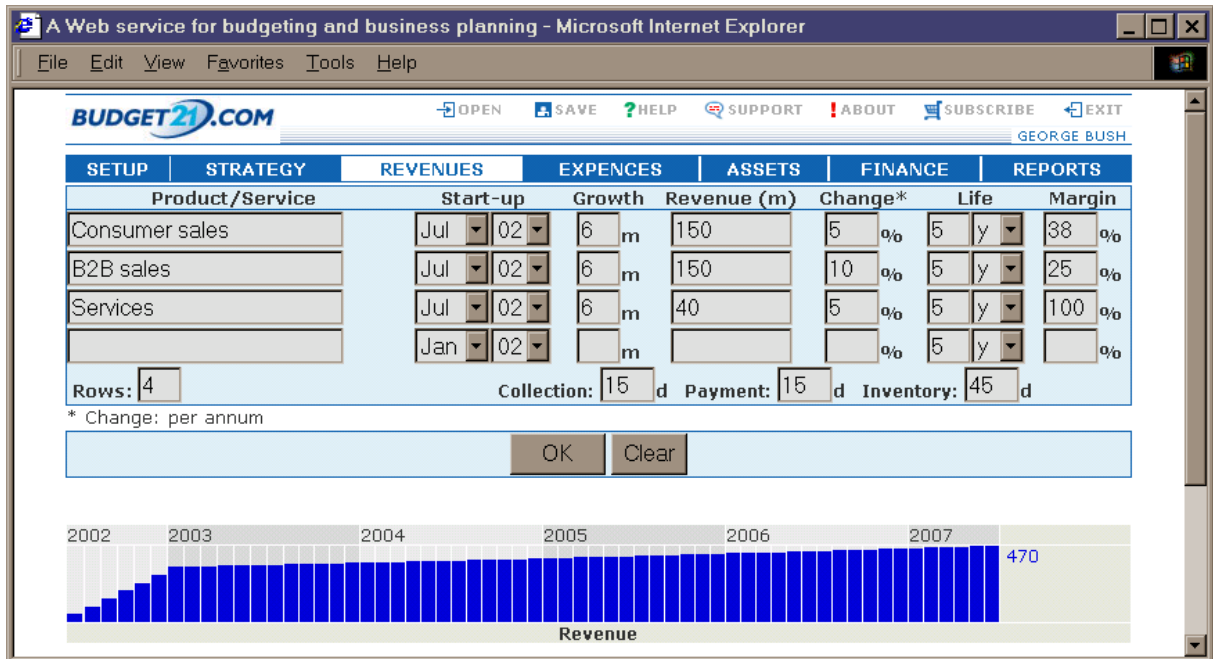
Input the text of the chosen chapter in the box located in the right column, the maximum length of the text can be 2000 characters.

For the selection and viewing of chapters use the buttons 



## Revenues

In the REVENUES module, the names of the products and services (or product groups) and sales projections are entered. Budget21.com makes it possible to handle different revenue patterns, incl. revenues of limited duration, seasonal and temporary sales periods.



**Product/Service** Enter the name of the product, service or product group. To clear an entire row, clear the respective cell and click *OK*.

**Start-up** Starting time of the sales. Indicate the period (month, year) when the selling will start.

- Growth** Growth period. This is the period in months which will be required for the attainment of the planned monthly revenue. The system will calculate this way that during the growth period the sales will have a linear increase, from zero to the planned monthly sales (see the picture above). If there is no growth period, enter "0".
- Revenue(m)** This is the "normal" (planned) monthly revenue by the end of the growth period, whereas there may also be no growth period.
- Change** This is the cumulative change in sales *per annum* after the attainment of the planned monthly sales. The change rate entered will be automatically divided by 12 to obtain monthly changes. The change can be positive or negative (enter with a minus sign).
- Life** This is the duration of the sales period in months or years. This parameter makes it possible to set sales of limited duration (seasonal, single deals, other sales periods limited in time). If the sales period is not limited (i.e. regular sales), leave "5 y" in the cell.
- Margin** Gross Margin. The difference between net sales and cost of goods (services) sold, expressed as a ratio of this difference divided by net sales.
- In the view of one product it is calculated as follows:  

$$\text{Margin} = (\text{Selling Price} - \text{Purchase Price}) / \text{Selling Price} \times 100\%$$
- In the view of the product group it is calculated as follows:  

$$\text{Margin} = (\text{Net Sales} - \text{Cost of Goods Sold}) / \text{Net Sales} \times 100\%$$
- Example: The sales of the product group is planned \$100,000. Cost of Goods Sold accounts for \$60,000 of the sales. Thus the entrepreneur keeps the gross profit of  $100,000 - 60,000 = 40,000$ . If we state it as the "margin", we get:  $40,000 / 100,000 \times 100 = 40\%$ .
- Collection** Average Collection Period. The average number of days over which Accounts Receivable are outstanding. If buyers make advance payments, enter the average number of days as a negative figure. For instance, "-10" would mean that buyers pay us 10 days in advance, on an average, for the goods or services. If goods are paid immediately

(e.g. in retail trade), enter "0" in this cell.

**Payment** Average Payables Period. A translation of Accounts Payable into the days of average purchases outstanding. If vendors are paid in advance, the average number of days has to be entered as a negative figure. For instance "-14" would mean that vendors are paid on an average 14 days before the reception of goods.

**Inventory** Inventory Turnover in days. This is the average number of days that the goods stay in the warehouse.

If the planned sales revenue consists of stages of different nature, each such stage should be described in a separate row in the table, setting first the starting time of the stage, duration of the growth period (if any), further change ( %) and the duration of the stage (Life). Note that each next stage of sales will start from the end of the previous one. That way we can build complicated revenue patterns which contain periods with both increasing and decreasing sales, stable stages of sales etc. The graph at the bottom of the module makes it possible to check the entire sales pattern and fit different stages correctly together.

## Expenses

In the EXPENSES module, the user provides a forecast of:

- Volume Driven Expenses
- Fixed Operating Expenses.

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GEORGE BUSH

SETUP	STRATEGY	REVENUES	EXPENSES	ASSETS	FINANCE	REPORTS
Volume Driven Expenses: by Revenue: 0 % by Margin: 0 %						
Operating Expenses		Start-up	Monthly Amount		Change*	Life
Payroll	Jul 02	2	20	1	3 %	5 y
Marketing Expenses	Jul 02	30	1	1	3 %	5 y
Rent	Jul 02	6	1	1	0 %	5 y
Leased Equipment	Jul 02	3	1	1	0 %	5 y
Utilities	Jul 02	1	1	1	2 %	5 y
Other	Jul 02	10	1	1	3 %	5 y
Rows: 6			Payment 15 p			

\* Change: per annum

OK Clear

<b>Volume Driven Expenses, by Revenue</b>	These can be sales bonuses, commissions, franchise fees and other expenses driven by revenue.
<b>Volume Driven Expenses, by Margin</b>	These are expenses that are calculated on the basis of gross margin, for instance bonuses of Sales Reps that are calculated on gross margin rather than on sales.
<b>Operating Expenses</b>	Fixed operating expenses. Enter the name of the operating expense or group of expenses. To clear an entire row, clear the respective cell and click <i>OK</i> .
<b>Start-up</b>	Starting time of the expense. Indicate the period (month, year), starting from which this operating expense will be incurred.
<b>Monthly Amount</b>	This is the amount of the expense in the first month. The figures entered in the three cells of this column will be multiplied automatically.
<b>Change</b>	This is the cumulative change in the expense <i>per annum</i> . The system divides the set rate automatically by 12 to get the monthly change.
<b>Life</b>	Duration of the expense. This parameter enables to set operating expenses with limited duration (advertising campaigns, construction and renovation expenses etc.). The duration can be set in advance in months or years. In case of a so-called regular expense leave "5 y" in the cell.
<b>Payment</b>	Average Expenses Payable Period. A translation of Expenses Payable into the days of average expenses outstanding.

NB! The system calculates the Cost of Goods Sold through the Margin (see the REVENUES module).

## Assets

In the ASSETS module, the user plans the acquisition of fixed assets. Here the capital budget of the company is prepared.

NB! Operating leases should be planned in the EXPENSES module.

Fixed Assets	Acquisition	Value	Life*	CapLease
Computers and Communication	Jul 02	120	5y	-
Office and Store	Jul 02	120	5y	-
Other Capital Assets	Jul 02	50	5y	-
Leased Capital Assets	Jul 02	150	5y	5y

Rows: 4

Down payment for leases (average): 10%

\* Leave the 'Life' blank when an asset will be not depreciated.

OK Clear

**Fixed Assets** This is the name of the fixed assets or group of fixed assets acquired at the same time and having the same useful life.

**Acquisition** Time of acquisition of the asset (month, year). The system includes the outflow of funds in the same period, unless the asset is acquired with capital lease.

**Value** Acquisition price of the asset, from which its book value is calculated. If you enter an existing asset that is at the disposal of the company, indicate its book value (net).

**Life** Expected useful life of the asset, in the course of which it is depreciated. Depreciation is calculated according to the straight-line method. If the asset is not depreciated, leave the cell "Life" empty.

**CapLease** Select the length of the lease agreement, if the asset is bought with capital lease.

**Down Payment..** This is the portion of the purchase price of the asset which is paid to the seller at the time of signing the lease agreement.

If you are planning for an **ongoing business**, enter the book values (net) of fixed assets at the disposal of the company in this module, indicating their "acquisition" at the starting time of the plan. If there are any obligations from effective lease agreements, indicate the number of years left till the end of the agreement. To enable the system to include monthly lease payments more accurately, indicate the debt balance related to the lease agreement in the cell "Value".

## Finance

In the FINANCE module, the user plans the financing of the business activities of the company, i.e. the borrowing and repayments of loans, also cash transactions which increase or decrease the owners' equity.

Borrowings and repayments can be planned in the LOAN AGREEMENTS table. Enter the name of the loan agreement (e.g. "Loan1", "Loan2") and the parameters of each agreement:

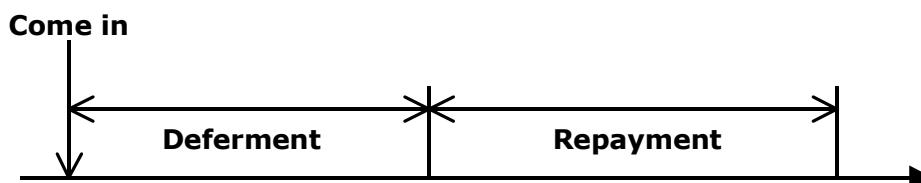
**Come in** Time of reception of the funds (month, year).

**Amount** Amount of the loan

**Deferment** Time period in months or years from the reception of the loan during which no repayments of the principal are made and only the monthly interest is paid.

**Repayment** Time period in months or years, starting from the end of the deferment period, during which the loan is repaid. If the repayment is made with a lump sum (in the course of one month), enter "1 m".  
The deferment period and the repayment period is the total term of the loan (see the picture below).

**Type** Type of repayment schedule: fixed principal or annuity.



Enter the payments of owners for shares in the EQUITY INFLOW table, setting in advance the name of the capital input (e.g. "Investment1", "Investment2" etc), time of making the payment and the amount received. If tangible assets are delivered in exchange for ownership, indicate in this module the monetary value of such assets, as if the payment had been made in cash; in the ASSETS module indicate the acquisition of an asset with the same value during the same period.

Disbursements that reduce the equity (e.g. payment of dividends) are planned in the EQUITY OUTFLOW table. Enter the name of the transaction, time and amount of payment.

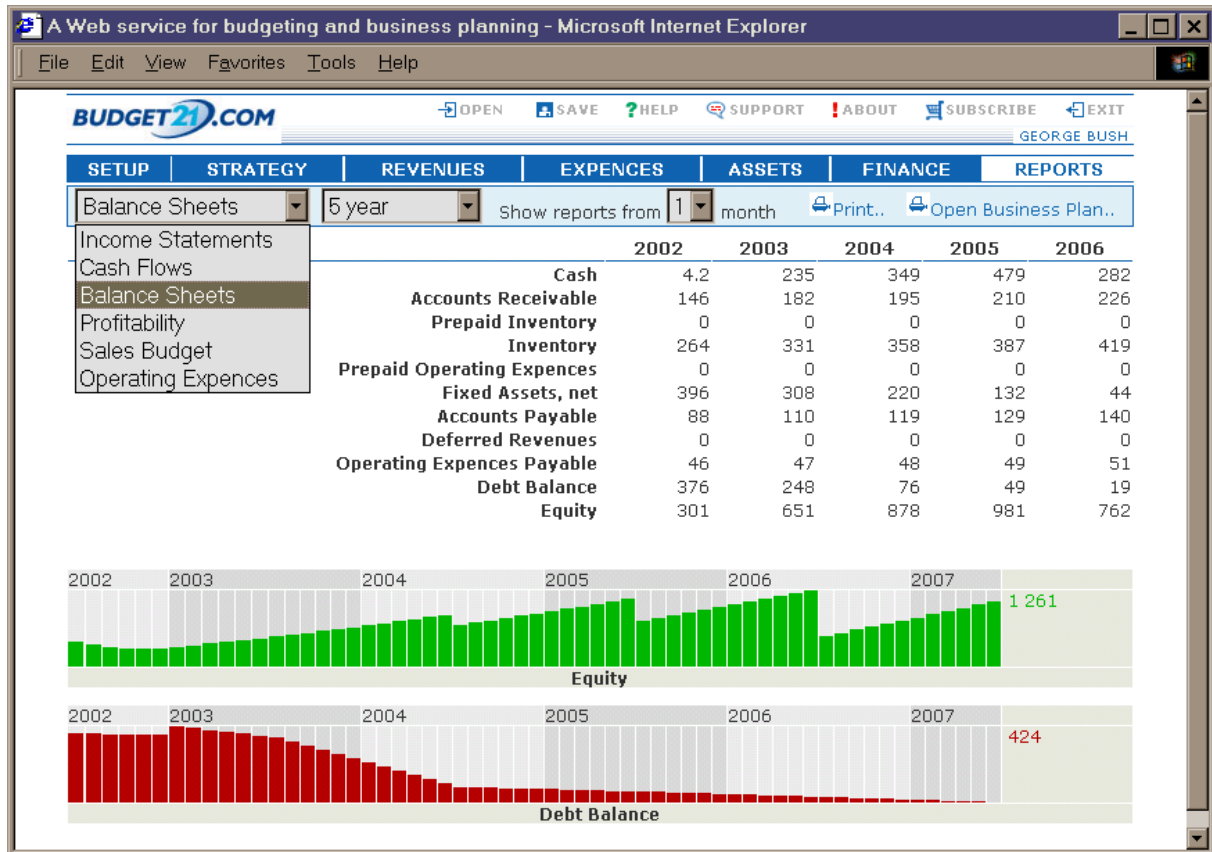
Planning the economic activities of an **ongoing business**:

1. If the business has borrowed, enter the respective debt balances in the LOAN AGREEMENTS table, indicating as if the funds had come in at the starting time of the plan; enter also the deferment and repayment terms, counting again from the starting time of the plan;
2. Enter the amount of the current owners' equity of the company in the EQUITY INFLOW table, indicating it as received in December (you can create a separate entry for it e.g. "Starting Equity").



## Reports

In the REPORTS module, the user can generate various financial projections and budgets. Select the report type and the period it should cover.



The function *Show reports from .. month* allows the user to set from which month, counting from the Starting Time of the plan (see the SETUP module), the financial projections will be displayed. If, for instance, the starting time of the plan is December this year, but you wish to see financial projections starting from January next year, enter "*Show reports from 2 month*". This function is also necessary when planning the economic activities of an **ongoing business**. See how to do it in more detail in the chapter **How to Start**.

Clicking the link "*Print ..*" opens the selected budget or financial projection in a separate browser window.

Clicking the link "*Open Business Plan..*" opens the complete business plan in a separate browser window. Using the functions of your Web browser, you can:

- print out (File -- Print) the complete business plan;
- save it as a \*.htm or \*.html file (File -- Save As.);
- export it to a word processor (Edit -- Select All, Copy -- Paste).



Note: Plans of Budget21.com have not been designed according to definite general accounting rules. The authors of this application intended to bring out the most important indicators of business planning; to summarise only those expected results and estimated balances which business managers and/or owners are interested in. The aim of Budget21.com is to improve the quality of the decision-making process of business managers.

### **Profitability Measures**

**EVA** – Economic Value Added.

$EVA = \text{Operating Earnings} - \text{Interest Expenses} - \text{Income Tax} - (\text{Equity} * \text{Cost of Equity})$

**ROE** – Return on Equity.

$ROE = \text{Net Income} / \text{Equity} (\%)$

**ROA** – Return on Assets.

$ROA = \text{Operating Earnings} / \text{Net Assets}$

**Gross Margin** =  $\text{Gross Profit} / \text{Revenues} (\%)$

**Operating Margin** =  $\text{Net Income} / \text{Revenues} (\%)$

**Debt to Capitalization** =  $\text{Debt} / (\text{Debt} + \text{Equity}) (\%)$

Note: ROE and ROA are calculated per annum.

### **Graphs**

The graphs of Budget21.com are bar graphs which show changes in the values of financial indicators by months for the entire plan (1 - 60 months).

The figures given in the right column of each graph show the maximum and minimum value of the financial indicator. For instance, if the figure 1,000,000 has been displayed in the "Revenue" graph, it means that the maximum monthly sales is 1,000,000.

Showing graphs can be switched off in the SETUP module. It will accelerate the work of the application in case of slow or congested Internet connection.

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Suggestions, critical remarks and comments: [welcome@budget21.com](mailto:welcome@budget21.com)

[www.budget21.com](http://www.budget21.com)

## This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.